



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G 04-63
)	
Pemco Life Insurance Company)	FINDINGS, CONCLUSIONS, AND
)	
Domestic Life Insurer)	AMENDED ORDER ADOPTING
)	REPORT
)	
)	OF
)	
)	MARKET CONDUCT EXAMINATION
)	

BACKGROUND

An examination of the market conduct of **Pemco Life Insurance Company** (the Company) as of September 30, 2002, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). Pemco Life Insurance Company holds a Washington Certificate of Authority as a Stock Insurer. The Company is domiciled in Washington. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for comments on April 26, 2004. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

Pemco Life Insurance Company
Amended Order of Market Conduct
June 29, 2004

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FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 38 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct examination of **Pemco Life Insurance Company**, and to order the Company to take the actions described in the Instructions and Recommendations section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

The market conduct examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Recommendations contained in the examination report on pages 25 and 26.

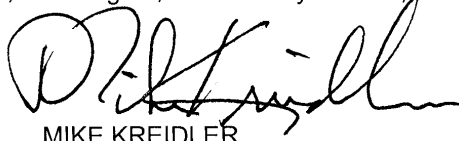
1. The Company is ordered to take steps including a quality audit, to ensure that paperwork is filmed / imaged under the correct policy number, that two-sided forms are filmed on both sides, that copies are readable once filmed and that pages longer than 8 ½ x 11 are filmed completely. (Instruction 1, Report Pages 8, 9)
2. The Company is ordered to cease distribution of all advertising, materials found to be in violation of RCW 48.30.040, WAC 284-23-040(1) and (3), RCW 48.30.050 and WAC 284-23-060(1) until these materials have been revised. (Instruction 2, Report Pages 11, 12)
3. The Company is ordered to maintain a complete file of all advertising materials for a period of 4 years or until the next examination in accordance with WAC 284-23-090. (Instruction 3, Report Pages 11, 12)
4. The Company is ordered to revise the life insurance illustrations to include statements explaining non-guaranteed elements and the years in which premiums are scheduled to change. The Company is further instructed to retain a signed copy of the illustration for 3 years and ensure that any revised illustrations given to the insured are identified as "revised", pursuant to RCW 48.23A.040(1) and .060. (Instruction 4, Report Pages 11, 12, 16 & 17)



5. The Company is ordered to require the applicant's signature any time the original application has been altered materially. RCW 48.18.070(1). (Instruction 5, Report Page 16)
6. The Company is ordered to comply with all provisions of the Washington Replacement Regulation, WAC 284-23-400 through 485, specifically the following items: WAC 284-23-450(2), WAC 284-23-455(1),(2)(b) and (4). (Instruction 6, Reports Pages 18, 19)
7. The Company is ordered to file and obtain approval from the OIC for all policy, application, and endorsement forms prior to use. RCW 48.18.100(1). (Instruction 7, Report Page 21)
8. It is ordered that the Company work with its internal audit staff to define the roles of each Life Services Unit employee and to set in place a system of checks and balances to ensure that each person's span of control is appropriate to their position. (Recommendation 1, Report Pages 13, 19, 21)
9. It is ordered that the Company identify the source of all statistics used in advertising materials. WAC 284-23-050(12). (Recommendation 2, Report Page 11)
10. It is ordered that the Company instruct agents to give a temporary insurance receipt to the applicant when taking money. WAC 284-23-550(1). (Recommendation 3, Report Page 16)
11. It is ordered that the Company send out updated instructions to agents in the form of a current bulletin. WAC 284-23-450(1). (Recommendation 4, Report Page 18)
12. It is ordered that the Company revise its claim procedures to include steps for the processing of simultaneous death, and accelerated death benefit claims. (Recommendation 5, Report Page 21)
13. It is ordered that the Company review Unfair Claims Settlement Practices regulations (WAC 284-30-300 to WAC 284-30-380) and take steps to ensure that they are followed at all times. It is further ordered that the Company institute a quality audit program to ensure compliance with these regulations. (Recommendation 6, Report Page 24)
14. It is ordered that the Company advise the claimant in writing of the acceptance or denial of a claim within fifteen working days of receipt of a properly executed proof of loss. The written denial must include the specific reason for the denial. WAC 284-30-380(1) (Recommendation 7, Report Page 24)

IT IS FURTHER ORDERED THAT, the Company file with the Chief Market Conduct Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 29th day of June, 2004.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written over a horizontal line.

MIKE KREIDLER
Insurance Commissioner

